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GENERAL STUDIES (TEST CODE : 1405)

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Medium Eng./Hindi	ENGLISH	Registration Number	638107
Center	HOME.	Date	16/11/20

INDEX TABLE

Q. No.	Maximum Marks	Marks Obtained
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17	15	
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Total Marks Obtained:

Remarks:

INSTRUCTIONS

1. Do furnish the appropriate details in the answer sheet (viz. Name, Registration Number and Test Code).
   उत्तर पुस्तिका में सूचनाएं भरना आवश्यक है (नाम, प्रश्न–पत्र कोड, विद्यार्थी क्रमांक आदि)।
2. There are **TWENTY** questions printed in **ENGLISH & HINDI**
   इसमें बीस प्रश्न हैं अंग्रेजी और हिन्दी में छपे हैं।
3. **All questions are compulsory.**
   सभी प्रश्न अनिवार्य हैं।
4. The number of marks carried by a question/part is indicated against it.
   प्रत्येक प्रश्न/भाग के अंक उसके सामने दिए गए हैं।
5. Answers must be written in the medium authorized in the Admission Certificate, which must be stated clearly on the cover of this Question-Cum-Answer (QCA) Booklet in the space provided. No marks will be given for answers written in medium other that the authorized one.
   प्रश्नों के उत्तर उसी माध्यम में लिखे जाने चाहिए जिसका उल्लेख आपके प्रवेश पत्र में किया गया है और उस माध्यम का स्पष्ट उल्लेख प्रश्न–सह–उत्तर (क्यूसीए) पुस्तिका के मुख्य पृष्ठ पर अंकित निर्दिष्ट स्थान पर किया जाना चाहिए। उल्लिखित माध्यम के अतिरिक्त अन्य किसी माध्यम में लिए गए उत्तर पर कोई अंक नहीं मिलेंगे।
6. Word limit in questions, if specified, should be adhered to.
   प्रश्नों में शब्द सीमा, जहाँ विनिर्दिष्ट है, का अनुसरण किया जाना चाहिए।
7. Any page or portion of the page left blank in the Question-Cum-Answer Booklet must be clearly struck off.
   उत्तर पुस्तिका में खाली छोड़ा हुआ पृष्ठ या उसके अंश को स्पष्ट रूप से काटा जाना चाहिए।

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EVALUATION INDICATORS

1. Contextual Competence
2. Content Competence
3. Language Competence
4. Introduction Competence
5. Structure - Presentation Competence
6. Conclusion Competence

Overall Macro Comments / feedback / suggestions on Answer Booklet:

1.

2.

3.

4.

5.

6.

All the Best

1. The effectiveness of microcredit has come under question in recent times due to multiple reasons. Discuss in the context of India. **(150 words) 10**
विविध कारणों से हाल के दिनों में सूक्ष्म-वित्त की प्रभावकारिता सवालों के घेरे में आ गई है। भारत के संदर्भ में चर्चा कीजिए।

Huge NPAs caused due to microcredit in India has brought to surface the debate on microfinancing.

Microcredit → Small amount of credit given to small entrepreneurs & other poorer section to help in their livelihood.

Reasons for effectiveness being questioned:

→ Microcredit insufficient to raise the living standards.
→ Issue of multiple regulations (treatment as commercial banks even though they differ).
→ Huge chunk of NPAs & problem of inefficient credit culture
→ Lower levels of penetration affecting their functioning.
→ Insignificant contribution in loan portfolio of poor sections.

Positive side of microcredit :-

- targetted delivery of loans
- decentralised approach take local issue into account
- focus is poorer sections & SMEs so beneficial for formalisation.
- Help in formal credit culture & financial inclusion.

Microcredit (ex:- MUDRA loans) have been critical to growth of MSME sector & enhancing low skill jobs which is needed in India to revive growth. Hence, the policy focus & regulatory framework needs to be redesigned to focus on this sector specifically.

2. For minimising distribution losses in the power sector, public private partnership (PPP) and input-based distribution franchisee models can provide the solution. Discuss. **(150 words) 10**

विद्युत क्षेत्रक में वितरण घाटा कम करने के लिए, सार्वजनिक निजी भागीदारी (PPP) और आगत-आधारित वितरण फ्रेंचाइजी मॉडल समाधान प्रदान कर सकते हैं। चर्चा कीजिए।

Input-based distribution franchise model is the incorporation of inputs & pre-determination of estimated scenario in preparing power purchase Agreements (PPA).

Benefits of PPP in power sector:-

- Combines efficiency of private sector with infrastructure of public sector.
- Involves proper determination of peak demands & cost analysis leading to informed pricing & better operational performance.
- Helps in reducing populism & rationalise use of electricity
- Distribution losses will be minimised through proper assessment of demand-supply scenario.
- Use of data analytics & AI by private sector to improve profits will lead to lower transmission costs.

Input based distribution franchise model & its benefits in distribution :-

- Helps optimise supply-demand scenario.
- Peak demand & variation is analyzed leading to estimation beforehand.
- Reduces cost through rationalizing infrastructure for distribution.
- Helps in meeting public demand & provide customer satisfaction by efficiently allocating distribution of voltages.

Although there have been efforts in PPP & other arenas (ex: Mumbai, Gujarat) the problems remain due to operational bottle-necks. There is a need of overhauling the transmission infrastructure & integration of various sources of energy to reach the optimum level of benefits with customer satisfaction.

3. What is gender budgeting? Give an account of the issues due to which gender budgeting has not been a fruitful exercise in India. Also, suggest measures required to address these issues. **(150 words) 10**

जेंडर बजटिंग क्या है? उन समस्याओं का विवरण दीजिए जिनके कारण जेंडर बजटिंग भारत में लाभदायक नहीं रही है। साथ ही, इन समस्याओं का समाधान करने के लिए आवश्यक उपायों का भी सुझाव दीजिए।

Gender Budgeting as a concept introduced in India in 2005 incorporates 3 dimensions of gender in budgeting:-

- Gender based allocations
- Allocations to gender in lumpsum allowances
- Woman-centric schemes & programmes.

Issues plaguing gender budgeting:-

- No data on gender related allocation & after effects.
- Pre-estimation exercise lacking leading to misallocation.
- Political will remains weak to incorporate gender as social group.
- Focus on funding rather than qualitative outcomes leading to no substantial gains
- Motivation in bureaucrats & policy designers lacking.

Measures required:-

- Cooperative federalism which fosters gender allocations at every level including municipalities, state & centre.
- Recognition of gender as a socially disadvantaged group & specific clauses in budget clearly determining the allocations.
- Research on effectiveness of women-centric schemes & making them more inclusive.
- Focus on women participation in budgeting for including their concerns & properly delineating targets to be achieved.

Gender Budgeting as a concept is not new. However, its lacklustre implementation is a major cause of female lagging behind (India ranks 112 in Gender Gap Index).

4. Highlight the issues faced by the corporate bond market in India and suggest reforms required in this regard. (150 words) 10

भारत में कॉर्पोरेट बॉण्ड बाजार द्वारा सामना किए जाने वाले मुद्दों को रेखांकित कीजिए और इस संबंध में आवश्यक सुधारों का सुझाव दीजिए।

corporate bond market in India is 16% of GDP compared to more than 70% in South Korea which shows the underdevelopment.

Issues faced by corporate bond market :-

- lack of investors due to trust deficit.
- Absence of proper policy promotion.
- Twin balance sheet deterioration leading to further issues.
- Lack of diversified investment option
- lack of trust in credit rating agencies
- Information asymmetries leading to fear.
- Non participation of retail investors
- Limited participation of foreign investors
- Lack of investments from debt funds, banks & other financial institutions due to mandated guidelines.

Reforms needed :-

- Reducing crowding out of funds.
- Increasing the attractiveness through portfolio formation.
- Indexing & standardisation can be done to increase marketability.
- Allowing retail investors & increasing information flows to people to enhance transparency.
- Government regulations to be reformed to help corporates raise funds through reduced costs.

Corporate bond market development is key to reviving private investment & promote the virtuous cycle of wealth creation & push India back to growth rate of 8-9% per annum.

5. In light of the renewed focus on strategic disinvestment in recent times, examine the rationale behind it and also discuss the concerns raised against it.
(150 words) 10

हाल के दिनों में रणनीतिक विनिवेश पर नए सिरे से ध्यान केंद्रित किए जाने के आलोक में, इसमें निहित औचित्य का परीक्षण कीजिए तथा साथ ही इसके विरुद्ध व्यक्त चिंताओं की भी विवेचना कीजिए।

Strategic disinvestment means the government divesting its majority stake from a public sector enterprise (PSE) & transferring its management & ownership to a private entity.

Rationale behind strategic disinvestment:-

- Enhance efficiency of the PSUs.
- Pull out the public finance.
- Bring government out of non-essential sector
- Finance for infrastructure development.
- Help in increasing profitability & stakes of ~~good~~ well-performing PSUs.
- Increase competition to promote innovation.

Concerns associated with strategic disinvestment

- Government unable to divest the loss making PSUs ex- Air India.

↳ Funds used for financing budget deficit.
↳ Undervaluation of PSUs leading to loss to exchequer.
↳ Problem of protest from employees.
↳ Divestment being done of profitable PSUs too to complete targets. Ex: BPCL.
↳ Inadequate policy framework leading to sporadic decision making & miscalculations about government assets.

Public sector in India has deepened to a great extent. Hence, disinvestment process needs to be thought of in sync with priorities & focus upon increasing infrastructure rather than wasteful expenditure.

6. While identifying the need for providing social security to gig workers, highlight the challenges that exist in this regard. (150 words) 10

गिग श्रमिकों को सामाजिक सुरक्षा प्रदान करने की आवश्यकता की पहचान करते हुए, इस संबंध में विद्यमान चुनौतियों पर प्रकाश डालिए।

Gig workers means the workers engaged in delivering services via various unconventional ways (like freelancing, independent auditing etc.) They form ~~ex~~ 13% of India's workforce.

Need for Social Security to gig workers

- Not fixed term employment.
- Flows of revenues uncertain.
- No social security covering them.
- Form a big chunk of India's workforce so cause of concern.
- Increasing number leading to need for policy focus.
- Less recognition till now so policy formation & legislation needed.

Challenges existing

- Problem of informalization.
- Unavailability of data on their count.

↳ Difficulty in identifying the employers in some cases.

↳ Problem in certification & registration since frequent changes & enhanced dynamicity.

↳ Lack of policy & legislation to specifically focus on them.

Gig workers share is 24% from India in online world market which is major share. Hence, there is a need to cover them under social security benefits & protect them from uncertain dynamic nature of employment.

7. Do you think that multi-year budgeting is the need of the hour in India?

(150 words) 10

क्या आप मानते हैं कि भारत में बहु-वर्षीय बजटिंग समय की मांग है?

India has been facing many issues in budgetary resource allocation & budget ~~forms~~ preparation & implementation

Multi-year budgeting is one of the area being discussed.

Pros of multi-year budgeting:-

↳ long-term policy predictability

↳ Reduced populism due to infrequent changes.

↳ Focus clear to privat sector hence investment increase.

↳ foreign players attracted due to long-term gains.

↳ ease in monitoring & completing targets through target based allocation & fund release.

↳ Reduce 'march rush' & inefficient expenses.

Cons of multi-year budgeting:-

↳ Unable to incorporate dynamic year-on year changes.

→ will become lacklustre due to long gestation period.
→ Implementation is challenging because entirely new concept.
→ Government change every 5 years in India hence predictability will be in danger leading to volatility.
→ Policy formulations suffer because of yearly allocations being avoided.

Multi-year budgeting can be a prospective approach. However, there needs to be a pilot run & efficiency determination before bringing it at full scale. Randomized controlled trials can be a way to try it on small scale.

8. What are the issues faced in financing of infrastructure in India? Give an account of the steps taken by the government to resolve these in recent times. **(150 words) 10**

भारत में अवसंरचना के वित्त-पोषण में आड़े आनी वाली समस्याएं क्या हैं? हाल के दिनों में इनका समाधान करने के लिए सरकार द्वारा उठाए गए कदमों का विवरण दीजिए।

India needs $1.4 Trillion investment in infrastructure to become a $ 5 trillion economy by 2025.

Issues Faced in infrastructure financing

- Unavailability of funds
- Huge debt
- Banks can't invest in long-term projects
- Policy reforms still stagnant
- Corporate bond market is underdeveloped
- Limited scope of investments from mutual funds & debt funds
- Fiscal (FRBM) constraints

Steps taken by Government in this regard

↳ National Infrastructure Pipeline (₹102 lac crore) launched.

↳ Indian Infrastructure Finance Company limited formed (IIFCL).

- PPP models explored in various highways, airports, ports, etc.
- Infrastructure debt funds promoted
- 5/25 scheme launched to facilitate banks' investment in infrastructure.
- Foreign investors allowed to invest in various sectors (liberalization of FDI)
- NIIF (National Investment & Infrastructure Fund) operationalized as fund of funds

Infrastructure in social & economic spheres is critical to India's sustainable growth. Hence, there is a need for more push to private sector & retail investors to tap the unused funds for infrastructure development.

9. Investment in social infrastructure is key to engineer an inclusive and sustainable growth in India. Discuss. **(150 words) 10**

सामाजिक अवसंरचना में निवेश भारत में समावेशी और संधारणीय विकास की योजना बनाने के लिए अत्यंत आवश्यक है। चर्चा कीजिए।

social infrastructure (exp health, education etc) is key to India's development as a welfare state in line with constitutional commitments under Directive Principles (part IV).

Role of social infrastructure in inclusive & sustainable growth:-

↳ Focus on education & health
⇒ increase labor productivity
⇒ increase human capital
⇒ lead to inclusive growth.

↳ focus on human resource
⇒ skill development
⇒ leads to improvements in diversified sectors
⇒ pushes India's growth with reducing poverty & inequality.

↳ Focus on social infrastructure
⇒ leads to concerns of every segment incorporated
⇒ Helps in inclusive policy setting

Don't write anything in this margin (इस भाग में कुछ ना लिखें)

⇒ supplements sustainable growth
⇒ increases India's resilience *

→ Enhancing social infrastructure
⇒ increases the coverage of populace
⇒ helps in sustaining growth.

Social Infrastructure has been even important after COVID-19 as has shown us the fragile state of health & education sectors & the plight of migrant workers. There is a need to incorporate more funds for social infrastructure in National Infrastructure Pipeline (NIP) through private investments & government policy promotion.

10. It is imperative that the present system is re-engineered and a transition towards Outcome Budgeting is made for effective Public Finance Management in India. Discuss. **(150 words) 10**

यह आवश्यक है कि भारत में प्रभावी लोक वित्त प्रबंधन के लिए वर्तमान प्रणाली को पुनर्व्यवस्थित किया जाए और परिणाम बजट की दिशा में संक्रमण किया जाए। चर्चा कीजिए।

Outcome budgeting focuses on the qualitative outcomes of the budgetary expenditures.

Need for present system to be re-engineered :-

- Bottom up approach leading to high transaction costs.
- Outlays based budgeting lacks proper outcomes in terms of substantial gains on ground.
- Focus on spending rather than increasing its efficacy.
- Short-term & unviable approaches leading to wasteful expenditure.
- Redundant allocation leading to wastage of resources.

Outcome budgeting as solution for public finance management :-

- Increases scope of gains on ground.
- Social audits leading to positive feedback loop.
- focus on quality leads to efficiency in expenditure.
- increase in monitoring reduces wastages
- Corruption & misappropriation of resources easy to identify.

Outcome budgeting is need of hour for India to develop an efficient public finance management system & increase the efficacy of budgetary allocation.

11. There have been indications of sluggish growth in labour intensive industries in India in recent times. Analyse the reasons behind this trend. What can be done to reverse the trend? **(250 words) 15**

हाल के दिनों में भारत के श्रम गहन उद्योगों में मंद वृद्धि के संकेत मिले हैं। इस प्रवृत्ति के लिए उत्तरदायी कारणों का विश्लेषण कीजिए। इस प्रवृत्ति को व्युत्क्रमित करने हेतु क्या किया जा सकता है?

India has been experiencing a declining growth led by consumption decline, lower exports, policy reforms, uncertainity at global level & many other factors.

This has also been seen in labor intensive industries (like textiles, leather & others).

Reasons behind the sluggish growth:-

- Tough competition from economies like Bangladesh & Vietnam who have diversified their market & reduced costs. (in textile sectors).
- Global uncertainty & protectionism has reduced demand leading to fight for survival in some industries.
- lack of technology has reduced their competitiveness & the market share is stagnant (or declining)

→ Access to credit has been a lingering issue.

→ skilled workforce lacking & lower productivity of labor & higher costs.

→ Policy focus has been majorly on bigger projects leading to lesser space for labor intensive industries

→ Globalisation & liberalization has been constantly pushing the labor intensive industries on verge of 'death'.

→ Capital intensive growth of India has been a major reason.

(Steps to reverse the trend):-

↳ Skilling initiatives like SAMARTH of textile ministry.

↳ policy frameworks supporting entry of new firms & reducing labor compliances

↳ Incentive to grow big & reap benefits of economies of scale.

↳ Providing credit (through formal sources) & easy compliance & relaxed norms.

→ Focus on Research & Development to provide access to technology which doesn't replace labor but increases their productivity.

→ One District One Approach (or Cluster based approach) to reap benefits of traditional expertise & reduce costs.

Labor intensive industries are critical to India achieving a demography led growth & leveraging its dividend to make up an inclusive economy of $5 Trillion.

12. While some associate increased penetration of technology and industrialization with increase in inequality in India, the reasons for the same lie somewhere else. Discuss. **(250 words) 15**

यद्यपि कुछ लोग प्रौद्योगिकी और औद्योगीकरण की पैठ में वृद्धि को भारत में असमानता में वृद्धि के साथ संबद्ध करते हैं, तथापि इसके कारण कहीं और निहित हैं। चर्चा कीजिए।

India has been lagging in various inequality indices (like Gender Inequality Index, Inequality adjusted HDI, Increasing Gini coefficient) & failing to provide growth for all.

Some argue this as a consequence of technology & industrialization.

Their arguement is :-

- Penetration of technology has led to gains for some but losses for many. For ex:- An employer gains but some employees are fired when a new machine is introduced.
- Technology led growth can be harmful for a populated country like India. Inequality will certainly grow more with increased mechanisation.
- Services sector contributes about 55% but employs proportionally very less people

leading to reinforcement of inequality.

→ Industrialization has led to class divide which is increasingly benefitting capitalists over working class.

→ The minimalist intervention approach might be harming India since 1991 & its effects are visible.

→ Gini's coefficient has been rising since 1980s which supports the argument.

However, the argument is not entirely correct.

Counter arguments are :-

↳ problem lies in the policy focus more than the access to technology

↳ Technology penetration in India is not that deep even today. Agriculture is highly subsistent even now.

↳ Industrialization has increased the jobs & led to inclusive growth in economies of East Asia hence at this critical juncture of India still not being properly industrialized, the argument doesn't hold good.

→ labor intensive sector are languishing due to ~~su~~ lack of support & inability to tap market. Hence, cause might be something else.

→ Skill development in India is very lean (more than 85% of ~~population~~ working class is not properly skilled). So, major challenge lies in industry oriented skilling.

Focus of policy should be on pulling the people up from poverty & avoiding stagnation of growth of middle class. Inclusive growth needs the integrated framework which involves State & private sector (CSR & inclusive marketing).

13. It has been argued that a fiscal stimulus can help revive the Indian economy and deal with the current slowdown. Discuss in context of prevalent situation. **(250 words) 15**

यह तर्क दिया जाता है कि राजकोषीय प्रोत्साहन भारतीय अर्थव्यवस्था को पुनर्जीवित करने और वर्तमान स्लोडाउन (गिरावट) से निपटने में सहायता कर सकता है। वर्तमान स्थिति के संदर्भ में चर्चा कीजिए।

Fiscal Stimulus (based on Keynesian economics) has been the norms throughout the world to pull country out of cyclical slowdown.

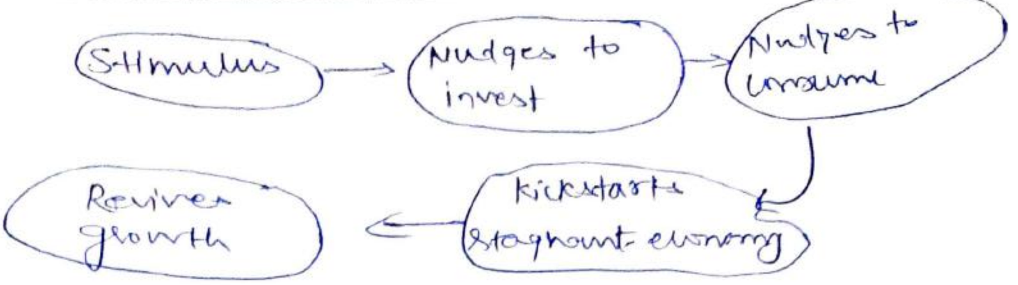
Fiscal Stimulus

↳ comprises
→ tax cuts
→ fiscal benefits
→ Easy loans
→ Incentives to consume
→ Support to demand
→ Incentive to invest.

Role of fiscal stimulus in reviving Indian economy :-

↳ India's growth trajectory has been downwards due to a mix of cyclical & structural factors.

↳ Focus on stimulus will push the private sector to invest & people to consume.



↳ Fiscal stimulus might push the inflation up & motivate corporate sector to supply.

↳ Stagnancy in economy due to people having less disposable income can be solved through tax incentives & focused interventions.

↳ The virtuous cycle of growth can be pushed up through spending on potentially labor intensive sectors so that money reaches to the poor & lower middle class since they have tendency to spend more & immediately.

↳ Schemes like MGNREGA & infrastructural development need to be incentivised to create assets & increase employment.

~~The~~ However, structural issues could not be handled through fiscal stimulus.

Structural slowdown & problems needs to alleviated through :-

- Reforms on labor, regulations etc
- Focus on reskilling & upskilling
- Creation of diverse sectors.
- Tapping global value chain & its demand.

Fiscal Stimulus is not a panacea to the slowdown brought by a mix of cyclical & structural issues. Policy reforms like GST, demonetization etc will take time to show results hence government needs proactive policy interventions with proper feedback from ground to pull Indian economy out of slowdown & avoid recession.

14. While public private partnership (PPP) in Indian Railways should be encouraged, there is a need to manage the transition to PPP model carefully. Discuss. **(250 words) 15**

यद्यपि भारतीय रेलवे में सार्वजनिक निजी भागीदारी (PPP) को प्रोत्साहित किया जाना चाहिए, तथापि PPP मॉडल की दिशा में संक्रमण को सावधानीपूर्वक प्रबंधित किए जाने की आवश्यकता है। चर्चा कीजिए।

Indian Railways have been seeing PPP involvement in various forms like 150 passenger trains, Tejas, food delivery services etc.

PPP in Indian railways should be encouraged because:-

- Pushes the operational efficiency up (current operating ratio of Indian Railways is 96-98% in last 3 years which is one of the worst for any enterprise).
- Provides range of choices.
- Increases facilities & improves the maintenance.
- Avoid accidents (through private sector's proactive intervention) & help in ~~cons~~ customer safety.
- Build image of Indian Railways which is criticised on the basis of its lacklustre performance, huge train delays & lack of hygiene in toilets etc.

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However, this transition is not going to be smooth because:-

→ Problem of bureaucratic redtape still prevalent.
→ opposition to privatization (due to fear).

Need to manage transition model carefully because;-

→ Might lead to increased costs which will make it inaccessible to general populace
→ ~~as~~ primary mode of transport for poors hence direct consequences on their livelihoods.

→ Railways employs a large no. of employees & prime source of government employment hence fear of privatization may push it to a stop.

→ Private ~~ope~~ trains & their efficiency has been still untested so it's too early to comment on the commensurate benefits.

↳ Inclusiveness & reduction in inequality requires consideration of the poorest section & hence the transition needs to be with incorporation of opinion from stakeholders, civil society & activists.

↳ Railways needs overhaul but no single organisation can replace even one sector of railways working. Hence, government needs to invest more rather than pulling hands.

Railways are the engine of Indian life in true sense. Hence, any step regarding PPP model or increasing private investment needs to be carefully analysed in terms of social, political & administrative costs.

15. A worrying trend for Indian economy has been the decline in private investment in the past few years. Highlight the reasons behind it. What steps should be taken to revive private investment in the economy?

(250 words) 15

विगत कुछ वर्षों में निजी निवेश में गिरावट, भारतीय अर्थव्यवस्था के लिए एक चिंताजनक प्रवृत्ति रही है। इसके लिए उत्तरदायी कारणों पर प्रकाश डालिए। अर्थव्यवस्था में निजी निवेश को पुनर्जीवित करने के लिए क्या कदम उठाए जाने चाहिए?

Private investment in India has declined to about 29% (in 2019) which is a cause of worry.

$(GDP)_{MP}$ = Private Consumption + Government consumption + Investment + (Export - Import)

Decrease in private investment has direct effect on GDP.

Reasons behind private investment decline

↳ Policy uncertainty fuelled by reforms whose implementation is questioned by critiques.

↳ Reduced disposable income due to rise in wages being slower than rise in inflation.

↳ Problem of reinforcing of poverty due to unemployment & disruptions

→ Stagnancy & credit defaults by MSMEs leading to negligible growth & loss of wages.

→ Global demand reducing due to rise in protectionism leading to concerns in export oriented factories & people.

→ Frequent policy changes like NEMMP (National Electric Mobility Mission Plan) leading to reduced scope for investment.

→ Problem of twin balance sheet depreciation

→ Reduced confidence in investors.

Steps to be taken to revive private investment :-

→ Facilitating credit flow (even though NPA problem is persistent).

→ Smoothening regulatory framework to streamline investments.

→ Confidence building measures through conferences with investors, corporates.

→ Policy with long-term predictability & support to industry to transition & align with the new policy

Don't write anything this margin (इस भाग में कुछ ना लिखें)

→ Focus on Labor intensive industry which lead to money in people's hand & some enter through investment
→ Incentivizing investment through tapping the savings of middle class retail investors.
→ Financial inclusion of people & transparency to facilitate investments
→ Awareness about risks & increasing information dissemination.
→ Reducing crowding out of capital markets & autonomy to banks.

Indian economy has been seeing a gap in savings & investment always which needs to be leveraged to revive private investment. It is critical to India, it being a consumption led economy & government having fiscal constraints.

16. Urban Cooperative Banks (UCBs) in India are in need of urgent reforms addressing their regulatory, structural and operational issues. Discuss. **(250 words) 15**

भारत में शहरी सहकारी बैंकों (UCBs) हेतु उनकी नियामकीय, संरचनात्मक और परिचालन संबंधी समस्याओं को दूर करने वाले तत्काल सुधारों की आवश्यकता है। चर्चा कीजिए।

Urban cooperative Banks (UCBs) in India operate in urban & semi-urban area deepening the financial inclusion & improving the formalization of Indian economy through facilitation of credit.

Regulatory issues in UCBs :-

- Regulation is very weak in comparison to commercial banks.
- Many norms are not followed by UCBs & disobeyed frequently due to lack of oversight.
- Multiple regulators (RBI, State Registrar etc) lead to lack of targetted intervention.

Reforms needed in regulation of UCBs :-

- designate regulator & clearly identify responsibility
- Oversight over these needs to be improved & brought in sync with commercial banks.
- Improve their governance through model legislation & advisories.

(Structural issues in UCBs) :-

↳ Governance is politicized due to political interference in appointments.

↳ Lack of sources of credit due to cooperative culture.

↳ Problems in expansion due to lack of professionalism.

(Reforms needed in structure of UCBs) :-

↳ Appointments through transparent process.

↳ Involvement of regulators in overseeing the governance & monitoring regularly the potential issues.

↳ Warnings & framework designed must be notified.

(Operational issues in UCBs) :-

↳ Single branch or limited branches leading to low scope of formalization.

↳ Credit given to members based on approach & links leading to huge NPAs

↳ Vulnerable to fail due to local issues since localized presence.

Reforms suggested in operation of UCBs

- Focus on professionalism
- Asset classification & proper monitoring
- credit history & borrower's returning capacity needs to be evaluated.
- Offers of higher returns must be stopped to ensure viability in operation

Recent failure of PMC bank has brought the UCBs to limelight. central Government needs to frame legislation in consultation with States & RBI to promote professionalism in UCBs & protect the customers from issues plaguing the UCBs.

17. Identify the factors that have facilitated digital financial inclusion in India. Mention the steps that have been taken by the government in this regard. What are the challenges that remain going forward? **(250 words) 15**

उन कारकों की पहचान कीजिए जिन्होंने भारत में डिजिटल वित्तीय समावेशन को सुगम बनाया है। इस संबंध में सरकार द्वारा उठाए गए कदमों का उल्लेख कीजिए। ऐसी कौन-सी चुनौतियाँ हैं जो लगातार बनी हुई हैं?

India has seen a revolution in the form of digitalisation of financial transaction with the increase in sector being equal to what was envisaged to happen in 46-47 years.

Factors facilitating digital financial inclusion

- Penetration of mobile phones in India.
- Government policies (like Digital payment infrastructure + UPI, BHIM) & Government incentives such as DigiGrahak yojana etc.
- Demonetisation → played major role in behavioral change.
- Telecom industry → through its infrastructure & low Average Revenue per user (ARPU) of ₹112 (in 2019).
- JanDhan - Aadhar alliance.

Steps taken by Government :-

- UPI (Unified Payment Interface) brought to ease the digital transaction.
- BHIM app brought to initiate payments Made workable even on simple mobile through ~~#~~*99#.
- Incentivising transactions through cashbacks, Lucky Grahak schemes etc.
- Eliminating Merchant Discount Rate (MDR) to facilitate digital transaction.
- Removing charges on NEFT & RTGS by RBI on suggestion from Government
- RuPay card launched to ensure functioning of JanDhan accounts.
- Flagship scheme (digital India) promoting digital infrastructure in financial transaction.
- policy intervention with exclusive focus on increasing digital transaction through limit on cash transactions.

Challenges remaining :-

- Security of digital platforms is the most prominent concern.

Don't write anything this margin (इस भाग में कुछ ना लिखें)

→ Increasing digital literacy to reduce frauds.

→ Reducing digital divide & countering inequality in rural & urban areas.

→ creating infrastructure to speed up network connectivity since data speed is a major concern.

Digital Financial inclusion has seen a manifold increase & is continuely growing. Government needs to promote awareness & facilitate access to digital gadgets to improve their use & also focus on their security to minimise fear of frauds.

18. Why is participation in Global Value Chains (GVCs) important for India? Highlighting some of the concerns associated with GVCs, suggest some measures for India to reap benefits from participating in them.

(250 words) 15

वैश्विक मूल्य श्रृंखलाओं (GVCs) में भागीदारी भारत के लिए क्यों महत्वपूर्ण है? GVCs से संबद्ध कुछ चिंताओं को रेखांकित करते हुए, भारत के लिए इनमें भागीदारी से लाभ प्राप्त करने के कुछ उपायों का सुझाव दीजिए।

Global value chains have helped the growth of East Asian economies (ex Japan, China & South Korea) & are a path to prosperity for India too to leverage its demographic dividend.

Significance of GVCs for India:-

- Increase India's integration with world markets.
- Facilitate network products & increase value addition in India.
- Huge job opportunities.
- Technological benefits due to foreign investments.
- Routing of global products leading to India's increased earning of foreign exchange.
- Help in India's infrastructural development through investment.
- Absorb India's semi skilled labor.

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Concerns associated with GVCs :-

↳ vulnerability to global shocks increase
↳ can lead to increase in volatility of rupee.
↳ India still shy to open various sectors where vulnerable section of population are engaged.
↳ can lead to increased volatility in Indian stock markets.
↳ may be problematic for MSMEs & some traditional sectors.

Measures for India to reap benefits of GVCs

↳ Focus on value chains to ascertain the specialization.
↳ Increasing demand oriented skilling.
↳ participating in value addition & small scale intervention rather than focusing on final products.
↳ opening up the economy & deserving sectors to create free flow of goods.

↳ Focus on increasing MSME participation in global value chains to integrate them.

→ Policy making to reduce the intervention in labor laws, regulatory provision & various compliances.

↳ Exploring capital account convertibility & making rupee resilient.

Global value chains (GVCs) are critical to India's labor intensive growth & pushing people out of poverty by taking care of the increasing demography. GVC has potential to increase 5 crore jobs in India by 2025 so Government needs to consider this on priority basis through wider consultations at global level.

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(इस भाग में कुछ ना लिखें)

19. What is the significance of state finances for macro-economic stability in India? Also, highlight the issues with states' fiscal management in India.

(250 words) 15

भारत में समष्टि-आर्थिक स्थिरता के लिए राज्य वित्त का क्या महत्व है? साथ ही, भारत में राज्यों के राजकोषीय प्रबंधन से संबद्ध मुद्दों को भी रेखांकित कीजिए।

Fiscal deficit of all the states in India has been 2.6% (well within target of 3% in FRBM for states) with a marginal revenue surplus for the last budget year.

Significance of state finances for macro-economic stability in India:-

- States being primary driver of service delivery in general have profound impact on stability of Indian economy.
- Increase in debt of states causes reduction in India's suitability for investment from foreign investors.
- States collectively form a big chunk of the India's budgetary expenditure & revenue.
- Wasteful expenditure by states may lead to increase in inflation & disruptions in market.

→ Targets for states are specifically defined through FRBM because in a federal arrangement state's share of finances involves responsibility too.

→ A cap of 20% debt-to-GDP ratio & 3% of fiscal deficit coupled with elimination of revenue deficit has been the target to increase resilience of Indian economy.

→ Farm loan waivers, freebies & various populist schemes damages the credit culture, market formation & professionalism to a great extent.

Issues with State's fiscal management

↳ Despite being revenue surplus, the concern is that revenue has not increased but expenditure has decreased.

↳ Capital expenditure is declining & remains at abysmal value.

↳ Focus on populism damages the prospects of Indian economy.

↳ Poor budgetary allocations & informal way of budget spending leads to huge wastage.

→ Politicization & segmental allocation lead to disruption in societal balances, deprivation is visible.

→ Monitoring & oversight lacks leading to reduced implementation at ground level.

→ Management of finances is very dismal leading to loss in revenue.

→ Not enforcing property tax, providing concessions etc lead to constraints in funds.

State's are equal participants of India's growth trajectory & hence need to share equal responsibility along with centre to protect Indian economy from problems & ensure long-term macroeconomic sustainability with visible animal spirits in Indian economy.

20. Though Code on Industrial Relations, 2019 is aimed at reducing labour dispute as well as ease of doing business, it also restricts the collective bargaining power of the workers. Comment. **(250 words) 15**

यद्यपि औद्योगिक संबंध संहिता, 2019 श्रम विवादों को कम करने और साथ ही ईज़ ऑफ़ डूइंग बिज़नेस पर लक्षित है, तथापि यह श्रमिकों की सामूहिक सौदेबाजी की शक्ति को सीमित भी करती है। टिप्पणी कीजिए।

Code on Industrials Relations (2019), seeks to incorporate various laws on labor unions & employee - employer relations to provide a single comprehensive code.

Code on Industrial relations aims at reducing labor disputes as well as ease of doing business through :-

↳ Implementation of uniformity in labor laws leading to more awareness
↳ defining fixed term employment & associated concerns.
↳ delineating social security benefits to workers.
↳ Recognising trade Unions with 25% of support & prevent the regular disruptions
↳ Recognize strike with support of more than 75% workers.

Don't write anything this margin
(इस भाग में कुछ ना लिखें)

↳ Form negotiating team & intervention by Government on minor disputes
↳ Reskilling fund & wage security in case of retrenchment (15 day wage to be given)
↳ Provide window of negotiation & proper code to clause-by-clause discussion on issue-specific-concerns of industry.

However, critiques argue that it restricts the collective bargaining power of workers. This argument is based on following facts:-

↳ Act reduces scope of trade union formation by raising the amount of support required for recognition.
↳ Fixed term employment clause may lead to contractual workers.
↳ Strike & disruption have been avoided which will reduce the bargaining power of the workers
↳ Will affect the voice of workers & bring them in conflict with

legislations.

→ Might lead to an era of pre-1920s when labor exploitation was vehemently done & trade unions were ineffective due to legal loopholes.

Code on Industrial Relations (2019) has been a right step in rationalizing the numerous laws but it fails to incorporate labor concerns & is being termed as "appeasement to employers & employees both". Wider consultations & specific concerns needs to be deliberated to prevent any unforeseen situation in an already struggling Indian economy.